

**STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769**

REVIEW REPORT
OF
STATE POLICE PENSION, BENEFIT, AND
EMPLOYEE DEATH AND DISABILITY FUNDS
July 1, 2003 to December 31, 2006



FILED
05/17/2007

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AGENCY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Trustee	Tim Berry Marjorie O'Laughlin Richard Mourdock	02-10-03 to 01-01-07 01-02-07 to 02-09-07 02-10-07 to 02-09-11
Superintendent	Melvin J. Carraway Paul E. Whitesell	01-08-01 to 01-09-05 01-10-05 to 01-11-09
Chairman of the Advisory Board	Melvin J. Carraway Paul E. Whitesell	01-08-01 to 01-09-05 01-10-05 to 01-11-09



STATE OF INDIANA

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF STATE POLICE PENSION, BENEFIT,
AND EMPLOYEE DEATH AND DISABILITY FUNDS

We have reviewed the receipts, disbursements, and assets of the State Police Pension, Benefit, and Employee Death and Disability Funds for the period of July 1, 2003 to December 31, 2006. The State Police Pension, Benefit, and Employee Death and Disability Funds' management is responsible for the receipts, disbursements, and assets.

Our review was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. A review is substantially less in scope than an examination, the objective of which is the expression of an opinion on the receipts, disbursements, and assets. Accordingly, we do not express such an opinion.

Financial transactions of this office are included in the scope of our audits of the State of Indiana as reflected in the Indiana Comprehensive Annual Financial Reports.

Based on our review, nothing came to our attention that caused us to believe that the receipts, disbursements, and assets of the State Police Pension, Benefit, and Employee Death and Disability Funds are not in all material respects in conformity with the criteria set forth in the Accounting and Uniform Compliance Guidelines Manual for State Agencies, and applicable laws and regulations except as stated in the review comments.

STATE BOARD OF ACCOUNTS

February 16, 2007

STATE POLICE PENSION, BENEFIT, AND
EMPLOYEE DEATH AND DISABILITY FUNDS
REVIEW COMMENT
December 31, 2006

ACCUMULATED INSURANCE BALANCE

As stated in the prior five audit reports (most recently B22276 and B20244), the Employee Death and Disability Fund has been established to allow employees to voluntarily purchase additional death and disability insurance coverage to supplement the employer-paid insurance provided under the terms of the Benefit Fund. The supplemental premiums are deducted from employees' checks bi-weekly and held in the fund until remitted to the insurance company monthly. The account should have a zero balance except for timing differences between the deduction and remittance of premiums. Our June 30, 2000, audit reported an accumulation in the Employee Death and Disability Fund of \$311,807, as a result of premiums withheld from employees exceeding premiums remitted to the insurance company in preceding years. Since June 30, 2000, premiums remitted to the insurance company have exceeded amounts withheld from employees resulting in a partial liquidation of the fund. As previously reported, the Indiana State Police Department did not have processes in place to reconcile premiums paid to premiums withheld on a periodic basis or to correct discrepancies between premiums paid and premiums withheld by making adjustments to future premiums paid or withheld. Beginning in November 2006, the State Police Department changed its procedure of calculating amounts due the insurance company to a biweekly rather than monthly basis. For each of the five pay dates in November and December 2006, we found that the premiums withheld agreed with amounts remitted to the insurance company. At June 30, 2006, the accumulated fund balance was \$102,381.

Each agency, department, institution or office should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records. Each agency, department, institution or office is responsible for compliance with contract provisions. (Accounting and Uniform Compliance Guidelines Manual for State Agencies, Chapter 1)

STATE POLICE PENSION, BENEFIT, AND
EMPLOYEE DEATH AND DISABILITY FUNDS
EXIT CONFERENCE

The contents of this report were discussed on March 15, 2007, with Richard Mourdock, Treasurer of State. The official response has been made a part of this report and may be found on page 6.

The contents of this report were discussed on March 19, 2007, with Tim Berry, former Treasurer of State.

The contents of this report were discussed on March 15, 2007, with Major Phil Parker, Executive Secretary of State Police Pension Advisory Board. The official response has been made a part of this report and may be found on page 7.

The contents of this report were mailed on March 15, 2007, to Melvin J. Carraway, former Superintendent.



STATE OF INDIANA
OFFICE OF THE TREASURER
INDIANAPOLIS
46204

RICHARD E. MOURDOCK
TREASURER OF STATE

March 20, 2007

Bruce Hartman, State Examiner
State Board of Accounts
Room E418, 302 W. Washington Street
Indianapolis, IN 46207-2281

Dear Mr. Hartman,

The following is my response to the audit comment received in the exit conference on March 15, 2007, concerning the review of the Indiana State Police Pension Trust, Benefit Fund, and the Employee Death and Disability Fund for the period July 1, 2003 to December 31, 2006:

Accumulated Insurance Balance

As noted in the exit conference, the Employee Death and Disability Fund should have a zero balance with the exception of timing differences between premium deductions and premium remittances. There has been an accumulated balance in excess of the timing difference as a result of premium deductions exceeding the premium remittances in preceding years. However, as noted in this audit report, since June 30, 2000, premiums remitted have exceeded amounts withheld from employees resulting in a partial liquidation of the excessive accumulated balance. It was also noted in this audit report the Indiana State Police Department recently changed its procedure of calculating amounts due the insurance company to a biweekly rather than a monthly basis. As a result of this procedural change, for each of the five pay dates in November and December 2006, premiums withheld agreed with amounts remitted to the insurance company.

As Trustee, I pledge to provide any needed assistance to further develop internal controls to prevent any future accumulated balances.

Sincerely,

Richard E. Mourdock
Treasurer of State

INDIANA STATE POLICE

INDIANA GOVERNMENT CENTER NORTH
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INDIANAPOLIS, INDIANA 46204-2259

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March 15, 2007

Bruce Hartman, State Examiner
State Board of Accounts
302 West Washington Street, Room E418
Indianapolis, Indiana 46204-2281

Dear Mr. Hartman:

The following is a response to the audit comment received in the exit conference on March 15, 2007, concerning the examination of the Indiana State Police Pension Trust Fund and Benefit Fund for fiscal year 2006.

Accumulated Insurance Balance

Beginning in November 2006, the State Police Department changed its procedure of calculating amounts due to the insurance company to a biweekly rather than monthly basis. This procedure change will allow the premiums withheld to agree with the amounts remitted to the insurance company. The Department will continue to monitor the Fund to ensure this process change is achieving the desired result.

Sincerely,



Paul Whitesell, Ph.D.
Superintendent

PEW:dm

cc: Richard Mourdock, Treasurer of State
Lieutenant Colonel Larkin
Major Parker